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BOARD OF SUPERVISORS:

Edgewood Center for Children and Families Did Not Use City Funds for Political Purposes



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**BOARD OF
SUPERVISORS:**

Edgewood Center for Children
and Families Did Not Use City
Funds for Political Purposes

**FINANCIAL AUDITS
DIVISION**



November 1, 2004
03040



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

November 1, 2004

Audit Number 03040

Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

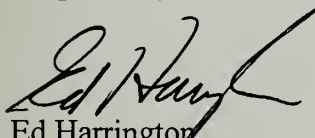
President and Members:

The Office of the Controller (Controller) presents its report concerning the audit of Edgewood Center for Children and Families (Edgewood Center) and its compliance with the City and County of San Francisco (City) ordinance prohibiting the use of city funds for political activity. The audit revealed that Edgewood Center did not use for political activity any of the \$11,450 of city funds that it received under its grant agreement with the Department of Public Health (Public Health). Neither Edgewood's accounting records for its grant or its federal tax return revealed that it used city funds for political activity. Further, the City and State campaign finance databases showed that Edgewood Center did not make any political contributions from April 1, 2003, through June 30, 2003, which was the period we reviewed. Finally, Edgewood Center's management informed us that the agency did not make such expenditures.

We conducted this audit to meet the San Francisco Administrative Code's requirement that the Controller audit annually at least 10 persons or entities that enter into contracts, grant agreements, or loan agreements with the City. The Controller is to ensure that the persons or entities comply with Section 12G of the code, which prohibits the use of city funds for political activity. The code defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

According to its contract amendment with Public Health, Edgewood Center was to provide behavioral support services for certain children and youth. The contract amendment was for \$450,353, which included \$120,000 to provide new services after the City implemented the prohibition in January 2003. Of this \$120,000, Public Health paid Edgewood Center only \$11,450 because Edgewood Center provided by June 30, 2003, only a portion of the number of units of service called for in the contract.

Respectfully submitted,


Ed Harrington
Controller

INTRODUCTION

BACKGROUND

To meet the requirements of the San Francisco Administrative Code (Administrative Code), Section 12G, we randomly selected Edgewood Center for Children and Families (Edgewood Center) as the subject for one of our 10 reviews of contract, grant, or loan recipients that must observe the Administrative Code's ban on the use of city funds for political activity. Each year, to ensure compliance with this ban, the Administrative Code requires us to audit at least 10 persons or entities that enter contracts, grant agreements, or loan agreements with the City. This year, we randomly selected 10 people or entities, including the Edgewood Center, that received city funds from January 1, 2003, through June 30, 2003, through a contract, grant, or loan that incorporated language banning the use of city funds for political activity.

The prohibition on the use of city funds for political activity became part of the Administrative Code after voters in the City and County of San Francisco (City) passed Proposition Q on November 5, 2002. The former proposition is now Section 12G of the Administrative Code, which defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure. Section 12G also requires that all contracts, grant agreements, and loan agreements incorporate language that delineates the prohibition. According to the Office of the City Attorney, persons and organizations receiving contracts, grants, and loans from the City are not subject to Section 12G unless the prohibition appears in their agreements. According to a deputy city attorney, agreements typically did not begin to include the prohibition until after January 2003.

Edgewood Center, the subject of this review, had a \$450,353 contract amendment from the Department of Public Health (Public Health) to provide mental health services to certain children and youth in San Francisco. Of the \$450,353 contract amendment, funding of \$120,000 was for a new program for which Edgewood Center began providing services after the City implemented the political activity prohibition in January 2003. According to Edgewood Center's director of finance, Edgewood Center provided behavioral support services under this contract amendment from April 2003 through June 2003. Of the \$120,000,



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Public Health paid Edgewood Center only \$11,450 because Edgewood provided by June 30, 2003, only a portion of the number of units of service called for in the contract.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Edgewood Center inappropriately expended any city funds participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

In conducting the audit, we randomly selected Edgewood Center as one of the 10 recipients of city funds subject to audit. We determined that Edgewood Center had one contract amendment with the City from January 1, 2003, through June 30, 2003, that included the prohibition of using city funds for political activity. We identified that funding for only one of the programs funded by the contract amendment was subject to this prohibition. Our audit period of April 1, 2003, through June 30, 2003, was the period that Edgewood Center provided these services under this contract amendment.

To conduct our review, we identified all payments that the City made to Edgewood Center for the new program, and reviewed a sample of expenses that Edgewood Center incurred to earn these grant payments. Further, we assessed Edgewood Center's procedures for recording expenditures, and we reviewed some of its accounts and its financial statements to verify it did not spend city funds for purposes related to political activity. We also asked Edgewood Center staff whether they had spent city or other funds for purposes that could relate to political activity. Finally, we searched the San Francisco Campaign Finance Database and the State of California's Cal-Access database, which reports campaign contributions, to find any instances that Edgewood Center made political contributions.

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AUDIT RESULTS

EDGEWOOD CENTER COMPLIED WITH THE GRANT REQUIREMENT TO NOT USE CITY FUNDS TO PAY FOR POLITICAL ACTIVITIES

Edgewood Center for Children and Families did not use any of the \$11,450 of city grant funds that it received to participate in, support, or attempt to influence a political campaign for any candidate or ballot measure. In auditing its accounting records related to Edgewood's grant and reviewing its Internal Revenue Service's *Return of Organization Exempt From Income Tax* (Form 990), we found no evidence of expenditures for political activities. In addition, Edgewood Center's management informed us that the agency did not make such expenditures. Furthermore, the City's Campaign Finance Database and the State of California's Cal-Access database did not show any evidence that Edgewood Center made any political contributions from April 1, 2003, through June 30, 2003, which was the period we reviewed.

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Ben Carlick, Audit Manager
Deborah Gordon

cc: Mayor
Board of Supervisors
Civil Grand Jury
Budget Analyst
Public Library

1. Introduction

2. Methodology

3. Results

4. Discussion

5. Conclusion



